

Value-based purchasing: Pay for performance in home health

ISSUE: One strategy that Medicare should use to increase the value of the healthcare services is linking a portion of payments to improving the quality of care. We have been asked by Congress to consider several issues in designing such a pay-for-performance (P4P) program.

KEY POINTS: In our previous discussions, we have considered the evidence from private P4P programs, the challenges of quality measurement, principles developed by the Commission, and an illustration of one possible design choice. We have discussed the challenges posed by home health as a setting as well, noting the lack of definition of the benefit and inaccuracies of the payment system.

At this meeting, we will review the final draft of this mandated report. In our report, we will address the four questions the Congress posed in the legislation of this report:

- How should Medicare fund a P4P system?
- How should the program set the thresholds for rewards and penalties?
- What is an appropriate size for a reward or penalty?
- What is a good balance between rewarding improvement and attainment?

ACTION: This work is a review of the final draft of our report to Congress on the design of a home health P4P system, due in June 2007.

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